

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

Docket No. 2008-0274

PUBLIC UTILITIES  
COMMISSION

2009 MAY 11 P 3:35

FILED

# CERTIFICATE OF SERVICE

**(808) 247-7753**  
**wsb@lava.net**

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

----- In the Matter of -----

Docket No. 2008-0274

PUBLIC UTILITIES COMMISSION

Instituting a Proceeding to Investigate  
Implementing a Decoupling Mechanism for  
Hawaiian Electric Company, Inc., Hawaii  
Electric Light Company, Inc. and Maui Electric  
Company, Limited.

---

**I. INTRODUCTION**

By its Order filed on October 24, 2008, the Hawaii Public Utility Commission ("Commission") opened the instant docket. The Commission, by its Order filed on December 3, 2008, granted the November 13, 2008 motion of Hawaii Renewable Energy Alliance ("HREA") to intervene in the instant docket. Per the Commission's Order filed on December 28, 2008, included herein is HREA's Final Statement of Position ("FSOP") regarding the implementation a decoupling mechanism for the Hawaiian Electric Company Inc., Hawaii Electric Light Company, Ltd., and Maui Electric Company Ltd. ("HECO Companies").

**II. HREA's FINAL STATEMENT OF POSITION**

HREA's interests in this docket remain basically the same as stated and discussed in our Initial Statement of Position ("ISOP"), filed on March 30, 2009. Our discussion herein reflects some revisions based on the discussions with various parties, including during the Technical Workshops.

Key Elements of the Proposals. HREA believes the key elements of the proposals by the HECO Companies and the Consumer Advocate<sup>1</sup> are the "decoupling mechanism," the "rate adjustment mechanism" ("RAM"), and revenue balancing accounts ("RBA") as defined by Haiku Design and Analysis ("HD&A").

---

<sup>1</sup> The Division of Consumer Advocacy of the state of Hawaii Department of Commerce and Consumer Advocacy.

HREA understands the: (i) decoupling mechanism is the specific method to be designed and implemented to adjust revenues to make utility earnings "indifferent" to changes in sales or demand volume in periods between rate cases; (ii) the RAM to be a specific method to be designed and implemented to adjust revenues (up or down) to cover the utility's fixed costs to account for volatility in sales in periods between cases; and (iii) the RBA to be accounting mechanism for tracking actual costs with costs as estimated by the RAM.

HREA's Primary Interests. HREA's primary interests are to ensure that the approved decoupling mechanism:

1. truly makes the utility indifferent to sales,
2. mitigates any negative impacts to the ratepayer,
3. is as simple in design and implementation as possible,
4. minimizes the risk to the ratepayer during periods between rate cases,
5. not only assists the utility in reducing regulatory lag, but also helps the utility achieve the concomitant benefits of improved financial integrity,
6. facilitates the rapid deployment of renewable energy and energy efficiency measures in support of the Hawaii Clean Energy Initiative ("HCEI"), and
7. encourages the utility to become more efficient in its day-to-day management and operations.

HREA's Final Position on the Decoupling Proposals Based on Our Interests. HREA believes the most important task of the instant docket is to get the "decoupling mechanism" right. Since we are not experts in the relevant details, we defer to HD&A to work through the details with the HECO Companies and the CA. We do observe that the parties appear to be getting closer as to the specific decoupling mechanism, but still differ as to the specific RAM and more specifically in its application. For example, should the RAM be subject to a performance metric and if so, what should the metric be tied to? We look forward to additional discussion on these issues in the upcoming panel hearing. That said, we would like to review our "final" position based on our interests as outlined above:

1. True Indifference. At this time, it is not clear to HREA if a decoupling mechanism makes the utility "truly" indifferent to sales. Decoupling does reduce disincentives for the utility to promote demand-side measures, including energy efficiency, off-set renewables and customer sited distributed generators ("DGs"), and especially renewable DG. By "truly" we mean does decoupling result in increased use of renewables via both supply-side and demand-side measures. Perhaps not, but given the HECO Companies Energy Agreement with the state, there is a stated commitment to achieve certain and aggressive renewable energy goals;
2. True Mitigation. We are not even sure "true mitigation" is possible, given that it may be hard, for example, to determine whether decoupling is resulting in energy bill increases greater than what would have happened without decoupling. We do see benefits associated with decoupling in terms of the alternative, i.e., annual rate cases, which would sap utility, commission and CA resources unnecessarily in our opinion. We wonder if these savings can somehow be captured and marshaled;
3. Keeping It Simple. We observe that ongoing discussions have led to a simpler approach to the decoupling and RAM mechanisms. We look forward to additional discussion and clarifications;
4. Minimal Risk. Clearly, a RAM can increase revenues to the utility, which may or may not be approved at the next rate case. Thus, while the utility is afforded more certainty in its revenue stream, there are increased risks to the ratepayer. HREA is interested in what the ratepayers will receive in return for their assumption of increased risk (see "6" below);
5. Concomitant Benefits. From our initial discussions, HREA observes that decoupling is viewed positively by investors in general and perhaps specifically by "Wall Street." However, it is not clear to us whether decoupling could lead to a favorable change in Wall Street's existing treatment of purchased power as "imputed debt." Thus, we are interested in additional discussion on this topic;

6. What about the HCEI. As this time, we do not see a direct link between decoupling and rapid deployment of renewables. Thus, we **cannot support** decoupling without some sort of linkage to achievement of stated HCEI goals, such as acquisition of renewables via Feed-In Tariffs ("FIT"), net metering and competitive bidding. And we not believe the existing goals and timeline for our existing RPS<sup>2</sup> law are sufficient. We believe as stated in our ISOP, that it would be best to establish an annual renewable deployment rate for indexing the amount of the RAM to be authorized. For example, if the utility was on target, 100% of the RAM would be authorized; if the utility reached only 50% of the target, only 50% of the RAM, etc.
7. What about improvements in efficiency. HREA observes that decoupling protects the utility from all the risks that could negatively impact sales, including economic downturns, weather conditions, and uptake in energy efficiency and renewables. Again what is in it for the ratepayer? HREA believes if decoupling does result in rapid deployment of renewables the ratepayer will ultimately benefit over time with lower energy bills as more and more oil is off-set. Additionally, over time if there are incentives for the utility to become more efficient in its management and operation, the ratepayer could benefit further. For example, there could be a performance-based mechanism whereby savings from more efficient management and operation (separate from the Energy Cost Adjustment Clause) could be shared by the HECO Companies and its ratepayers. At the present time, however, HREA does not have a specific proposal for such a mechanism.

DATED: May 11, 2009, Honolulu, Hawaii

  
President, HREA

---

<sup>2</sup> Or as proposed for amendment in the 2009 legislative session (HB 1464).

## CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing FSOP upon the following parties by hand-delivery and electronic service as follows:

Catherine P. Awakuni, Executive Director  
Department of Commerce and Consumer Affairs  
Division of Consumer Advocacy  
P. O. Box 541  
Honolulu, HI 96809

2 Copies (Hand Delivery) and  
Electronic Service

Darcy I. Endo-Omoto, Vice-President  
Governmental and Community Affairs  
Hawaiian Electric Company Inc.  
P. O. Box 2750  
Honolulu, HI 96840-0001

Electronic Service

Dean Matsuura  
Director, Regulatory Affairs  
Hawaiian Electric Company, Inc.  
P. O. Box 2750  
Honolulu, HI 96840-0001

Electronic Service

Thomas W. Williams, Jr. Esq.  
Peter Y. Kikuta, Esq.  
Goodsill, Anderson, Quinn & Stifel  
Alii Place, Suite 1800  
1099 Alakea Street  
Honolulu, HI 96813

Electronic Service

Attorneys for Hawaiian Electric Company, Inc., Hawaii Electric  
Light Company, inc. and Maui Electric Company, Limited

Jay Ignacio  
President  
Hawaii Electric Light Company, Inc.  
P. O. Box 1027  
Hilo, HI 96721-1027

Electronic Service

Edward I. Reinhardt  
President  
Maui Electric Company, Limited  
P. O. Box 398  
Kahului, HI 96732

Electronic Service

Randall J. Hee, P.E.  
President and Ceo  
Kauai Island Utility Cooperative  
4463 Pahe'e Street, Suite 1  
Lihue, HI 96766-2000

Electronic Service

Timothy Blume  
Michael Yamane  
Kauai Island Utility Cooperative  
4463 Pahe'e Street, Suite 1  
Lihue, HI 96766

Electronic Service

Kent D. Morihara, Esq.  
Kris N. Nakagawa, Esq.  
Rhonda I. Ching, Esq.  
Morihara Lau & Fong LLP  
841 Bishop Street, Suite 400  
Honolulu, HI 96813

Electronic Service

Attorneys for Kauai Island Utility Cooperative

Carl Freedman  
Haiku Design & Analysis  
4234 Hana Highway  
Haiku, HI 96708

Electronic Service

Henry Q. Curtis, Vice President for Consumer Issues  
Kat Brady, Vice President for Social Justice  
Life of the Land  
76 North King Street, Suite 203  
Honolulu, HI 96817

Electronic Service

Gerald A. Sumida, Esq.  
Tim Lui-kwan, Esq.  
Nathan C. Nelson, Esq.  
Carlsmith Ball LLP  
ASB Tower, Suite 2200  
1001 Bishop Street  
Honolulu, HI 96813

Electronic Service

Counsel for Hawaii Holdings, LLC, dba First Wind Hawaii

Electronic Service

Mike Gresham  
Hawaii Holdings LLC, dba First Wind Hawaii  
330 Lono Ave, Suite 380  
Kahului, HI 96732

Electronic Service

Deborah Day Emerson, Esq.  
Gregg J. Kinkley, Esq.  
Department of the Attorney General  
425 Queen Street  
Honolulu, HI 96813

Counsel for DBEDT

Electronic Service

Mark Duda, President  
Hawaii Solar Energy Association  
P. O. Box 37070  
Honolulu, HI 96837

Electronic Service

Doug A. Codiga, Esq.  
Schlack Ito Lockwood Piper & Elkind  
Topa Financial Center  
745 Fort Street Mall, Suite 1500  
Honolulu, HI 96813

Counsel for Blue Planet

  
\_\_\_\_\_  
President, HREA

Date: May 11, 2009